## Message Text

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PAGE 01 BRUSSE 07162 301900Z ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 /050 W

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R 301554Z JUN 77 FM AMEMBASSY BRUSSELS TO SECSTATE WASHDC 0610 INFO ALL EC CAPITALS AMEMBASSY ANKARA AMEMBASSY ATHENS AMEMBASSY NICOSIA

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USEEC

E.O. 11652:GDS TAGS: EEC, CY SUBJECT: EC/CYPRUS ECONOMIC/TRADE NEGOTIATIONS

REF: A) BRUSSELS 6296, B) BRUSSELS 5599

- 1. EC/CYPRUS ECONOMIC/TRADE NEGOTIATIONS, WHOSE RESULTS WERE FORECAST IN REF A, CONCLUDED SUCCESSFULLY JUNE 22. ONE OF THE TWO PROTOCOLS INCORPORATING THE AGREEMENTS REACHED WAS INITIALLED IN BRUSSELS JUNE 22; THE OTHER WAS TO BE INITIALLED JUNE 29 OR 30. A FORMAL SIGNING CEREMONY WILL OCCUR LATER, PROBABLY IN JULY.
- 2. IN CONVERSATION WITH MISSION OFFICER JUNE 29, EC COMMISSION OFFICIAL RESPONSIBLE FOR RELATIONS WITH CYPRUS SAID THAT THE EC PLANS TO FULFILL ITS COMMITMENT TO SEE THAT THE AGREEMENT NEGOTIATED WITH THE GOVERNMENT OF CYPRUS BENEFITS BOTH CYPRIOT COMMUNITIES IN TWO WAYS:

  (A) THE EC IS DEVISING "PRACTICAL MEANS" (I.E., AS CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 07162 301900Z

REGARDS CERTIFICATES OF ORIGIN--SEE REFTELS) WITH THE TURKISH CYPRIOTS TO ENSURE THAT TURKISH CYPRIOT PRODUCTS, PRIMARILY CITRUS AND NEW POTATOES, ARE ABLE TO ENTER COMMUNITY MARKETS. THE EC OFFICIAL SAID THAT HE HAS HELD TWO MEETINGS WITH THE TURKISH CYPRIOTS IN THIS CONNECTION AND EXPECTS TO HAVE ONE FURTHER SESSION WITH THEM SHORTLY. (HE SAID THE TURKISH CYPRIOT DELEGATION

WITH WHICH HE MEETS IS HEADED BY "THE DIRECTOR GENERAL OF WHAT THE TURKISH CYPRIOTS CALL THEIR 'FOREIGN OFFICE'.") HE NOTED THAT THE GOVERNMENT OF CYPRUS IS NOT PARTICULARLY HAPPY ABOUT THE COMMUNITY'S WILLINGNESS TO LET TURKISH CYPRIOT PRODUCTS INTO WESTERN EUROPE BUT COMMENTED THAT "WE TOLD THEM DURING THE NEGOTIATIONS THAT WE INTENDED TO DO IT AND THAT THEY COULD TAKE IT OR LEAVE IT" (REF A).

(B) UNDER THE FINANCIAL PROTOCOL JUST NEGOTIATED. THE COMMISSION AND COMMUNITY LENDING INSTITUTIONS, STRONGLY BACKED BY SEVERAL EC MEMBER STATES. WILL BE INCLINED TO AGREE TO FINANCE ONLY THOSE PROJECTS HAVING SOME BENEFIT FOR BOTH COMMUNITIES (E.G., ELECTRICITY GENERA-TION) OR, IF IT IS IMPOSSIBLE TO FIND SUCH PROJECTS, WILL TRY TO SEE TO IT THAT PROJECTS FINANCED IN THE GREEK SECTOR ARE SOMEHOW BALANCED BY THE FINANCING OF PROJECTS IN THE TURKISH SECTOR. THE COMMISSION OFFICIAL NOTED THAT MEMBER STATE RATIFICATION OF THE FINANCIAL PROTOCOL WILL, IN ANY CASE, TAKE 12-14 MONTHS AND SAID THAT THE EC IS HOPEFUL THAT A POLITICAL SOLUTION TO THE CYPRUS PROBLEM CAN BE REACHED IN THE MEANTIME, THUS OVERCOMING THE EC CONCERN ABOUT ENSURING THAT ITS FINANCIAL ASSISTANCE BENEFITS THE WHOLE OF CYPRUS. HINTON

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